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TO RUEHC/SECSTATE WASHDC PRIORITY 4218

INFO RUEHKO/AMEMBASSY TOKYO 6300

RUMJDH/AMCONSUL HONG KONG 7088

RUMJPG/USLO PEKING 1224

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C O N F I D E N T I A L

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E.O. 11652: N/A

TAGS: PFOR, EIND, TW

SUBJECT: AMERICAN CHAMBER OF COMMERCE CRITICIZES STATE  
DEPARTMENT FOR ANTI-ROC BIAS

1. SUMMARY: OFFICERS AND GOVERNORS OF AMERICAN CHAMBER OF COMMERCE IN THE REPUBLIC OF CHINA HELD PRESS CONFERENCE JULY 9. STATE DEPARTMENT WAS CRITICIZED FOR NOT GIVING PRESIDENT FAIR APPRAISAL OF ISSUES INVOLVED IN NORMALIZATION, FOR ADVOCATING QUOTE JAPANESE SOLUTION UNQUOTE, AND FOR PUSHING PRESIDENT INTO HASTY NEGOTIATIONS WITH PRC. END SUMMARY.

2. MARINUS VAN GESSEL, PRESIDENT OF AMERICAN CHAMBER OF COMMERCE IN THE REPUBLIC OF CHINA, HEADED GROUP OF NINE OFFICERS AND GOVERNORS WHICH MET WITH PRESS JULY 9. PRESS WAS GIVEN LENGTHY DOCUMENT ENTITLED QUOTE STATE DEPARTMENT NOT GIVING PRESIDENT CARTER FAIR APPRAISAL ON US-CHINA POLICY UNQUOTE, WHICH WAS DRAFTED BY VAN GESSEL AND APPROVED BY GOVERNORS JULY 6. MAJOR POINTS MADE IN DOCUMENT ARE AS FOLLOWS:

A. CHAMBER SERIOUSLY QUESTIONS WHETHER U.S. STATE DEPARTMENT IS GIVING PRESIDENT CARTER A FAIR APPRAISAL ON THE CHINA ISSUE. IT APPEARS THAT THE ADMINISTRATION'S CHINA POLICY HAS ALREADY BEEN DECIDED BEHIND CLOSED DOORS.

B. FROM HIS JUNE 30 NEWS CONFERENCE, IT APPEARS PRESIDENT FAVORS QUOTE JAPANESE SOLUTION UNQUOTE TO TAIWAN PROBLEM. IF HE HAD BEEN FULLY APPRAISED (SIC) OF BOTH SIDES OF ISSUE HE WOULD NOT HAVE LINKED U.S. POSITION TO SUCH A SOLUTION, PARTICULARLY SINCE IT SEEMS TO BE PLAYING DIRECTLY INTO HANDS OF PEIPING.

C. CHAMBER SENT LETTERS TO PRESIDENT ON APRIL 12

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State Department review  
completed

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AND JUNE 2, 1977 ASKING FOR AN OPEN DEBATE ON THE TAIWAN ISSUE. THUS FAR NO REPLIES HAVE BEEN RECEIVED. THE LETTERS STRESSED THE ECONOMIC AND MORAL RELATIONSHIPS BETWEEN THE U.S. AND TAIWAN AND URGED THE PRESIDENT NOT TO BE PUSHED INTO HASTY NEGOTIATIONS BY THE STATE DEPARTMENT.

D. CHAMBER HAS NO OBJECTION TO IMPROVING RELATIONS WITH PRC IF ADVANTAGEOUS TO U.S. AND NOT AT THE EXPENSE OF TAIWAN. ADEQUATE PROTECTION OF U.S. INTERESTS CAN BE OBTAINED BY EFFECTIVE NEGOTIATING ON THE PART OF THE STATE DEPARTMENT.

E. SINCE THE SECRETARY'S JUNE 29 SPEECH TO THE ASIA SOCIETY MADE NO MENTION OF TAIWAN, THE CHAMBER CAN ONLY DEDUCE THAT THIS IS REPRESENTATIVE OF HOW THE ISSUE IS BEING PRESENTED TO PRESIDENT CARTER. IN SHORT, IT CAN BE PRESUMED THAT THE STATE DEPARTMENT GIVES AMPLE COVERAGE TO PEIPING AND SCANT COVERAGE TO TAIWAN. ALSO, SINCE AMBASSADOR HUANG MEETS WITH THE PRESIDENT AND THE SECRETARY AND AMBASSADOR SHEN IS NOT GIVEN THE SAME OPPORTUNITY, ONE CAN ONLY SURMISE THAT THE STATE DEPARTMENT IS TAKING SIDES AND IS TRYING TO INSULATE THE PRESIDENT.

F. CHAMBER PREDICTS THAT DURING HIS AUGUST VISIT TO PEIPING SECRETARY WILL BE GIVEN QUOTE SLEEVES OUT OF THE RED VEST UNQUOTE AND OBTAIN AN ASSURANCE THAT PEIPING WILL NOT USE FORCE AGAINST TAIWAN. THIS ASSURANCE WILL TEMPT SECRETARY TO RECOMMEND TO PRESIDENT THAT U.S. ABROGATE MUTUAL DEFENSE TREATY AND PUT THE STATE DEPARTMENT'S (OR PEIPING'S) QUOTE JAPANESE FORMULA UNQUOTE INTO EFFECT.

G. BEFORE THE STATE DEPARTMENT IS ALLOWED TO FINALIZE NORMALIZATION OF RELATIONS WITH THE PRC IT SHOULD BE MADE TO SPELL OUT TO CONGRESS AND THE AMERICAN PEOPLE WHAT BENEFITS THERE ARE TO THE U.S. AND WHAT WE HAVE TO GIVE UP TO OBTAIN THEM.

3. CHAMBER ALSO GAVE TO PRESS COPIES OF ITS APRIL 12 AND JUNE 2, 1977 LETTERS TO THE PRESIDENT, COPIES OF LETTERS TO VAN GESSEL OF MARCH 24, 1977 FROM LEVIN AND MARCH 4, 1977 FROM GLEYSTEN, AND COPY OF CHAMBER POSITION PAPER OF AUGUST 25, 1976 ENTITLED QUOTE US-ROC ECONOMIC RELATIONSHIP - A BUSINESSMAN'S VIEW UNQUOTE,

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4, COMMENT: PRESS CONFERENCE HAS RECEIVED MODERATE  
COVERAGE IN LOCAL PRESS, BEING OVERSHADOWED BY MIG-19  
PILOT DEFECTION AND VISIT OF PRESIDENT YEN TO SAUDI  
ARABIA. EMBASSY WAS INVITED BY CHAMBER TO SEND OBSERVER  
TO PRESS CONFERENCE BUT DECLINED INVITATION. UNGER

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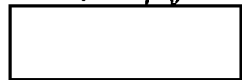
THE DIRECTOR OF  
CENTRAL INTELLIGENCE

Deputy for National Intelligence

15 August 1977

Dear Cy:

Here is the further paper on the  
PRC's priorities and objectives in  
normalization which I promised in my  
note of 12 August. *Report*



Robert R. Bowie

Attachment

The Honorable Cyrus R. Vance  
Secretary of State  
Department of State  
Washington, D.C.

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| REMARKS:  |          |              |
| <i>Alyce -</i><br><i>This is the only</i><br><i>one that I have a</i><br><i>copy of. I never</i><br><i>see Zpidan's note.</i> |          |              |
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8 August 1977

1. One objective of the PRC is ultimately to gain control of Taiwan. The three PRC conditions for normalization are clearly intended as steps toward that objective. Consequently, any compromise would not mean that the PRC is abandoning that objective. On the contrary, the fact that it has persuaded the US to end official relations with Taiwan could encourage the PRC to step up efforts to isolate Taiwan and persuade its people that they must eventually submit to PRC control.

2. This objective will influence the PRC attitude in negotiations and its approach to alternate US measures to bolster the economic viability and security of Taiwan.

WASHINGTON, D. C. 20505 •

Deputy for National Intelligence

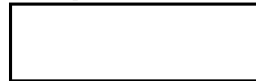
27 July 1977

Dear Cy:

I am attaching a memorandum prepared by CIA on International Reactions to US-PRC Normalization which you requested at the PRC meeting on China on 27 June. Because of their sensitivity, the premises on which the analysis is based are stated as a hypothetical scenario in the second paragraph.

The only other copy of this memorandum that has left the Agency has been sent to Zbig. I'll leave it to you and Zbig to decide about further distribution.

Regards,



Robert R. Bowie

STAT

Attachment:  
Memo, as stated

The Honorable Cyrus R. Vance  
The Secretary of State  
Washington, D.C. 20520



WASHINGTON, D. C. 20505

Deputy for National Intelligence

27 July 1977

Dear Zbig:

I am attaching a memorandum prepared by CIA on International Reactions to US-PRC Normalization which Cy Vance requested at the PRC meeting on China on 27 June. Because of their sensitivity, the premises on which the analysis is based are stated as a hypothetical scenario in the second paragraph.

The only other copy of this memorandum that has left the Agency has been sent to Cy. I'll leave it to you and Cy to decide on further distribution.

Regards,



Robert R. Bowie

STAT

Attachment:  
Memo, as stated

The Honorable Zbigniew Brzezinski  
Assistant to the President for  
National Security Affairs  
The White House  
Washington, D.C. 20500

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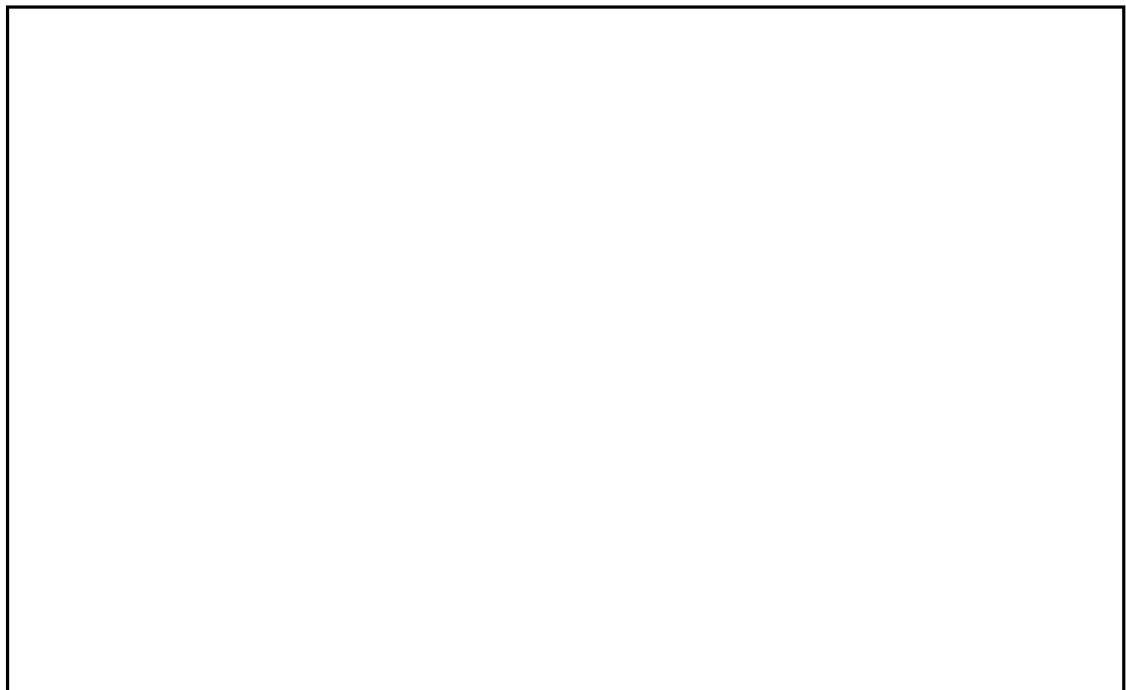
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INTERNATIONAL REACTIONS TO A  
NORMALIZATION OF US-PRC RELATIONS

# I. OVERVIEW

This memorandum assesses the likely short-term reaction to normalization of US-PRC relations by Asian states, the Soviet Union and in other selected regions with notable but less direct interests in the issue. We believe that US actions vis-a-vis Taiwan in the normalization process would not lead to any immediate policy shifts inimical to the US. The extent to which suspicions of US staying power and credibility eventually would take hold would depend largely on Taiwan's ability to survive politically and economically and on future US steps to maintain itself as an active and effective Western Pacific power. The circumstances and conditions of a normalization understanding between the PRC and US nonetheless will be important in shaping the long as well as short term reaction.

For the purpose of this analysis, the following scenario is assumed as having taken place. In normalizing relations with the PRC, the United States has:

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An important underlying factor in our assessment is a generally held international perception that US-PRC normalization would be the culmination of a process that has been

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underway--although fitfully--for more than six years. Most of the countries that found it necessary to undertake major adjustments in their foreign policies as a result of the surprise rapprochement between Washington and Peking have now completed the process. For example, more than 50 countries have opened diplomatic relations with Peking since 1971 when Peking replaced Taipei in the United Nations. At present some 34 countries, many in Latin America, have no ties with Peking. About 20 of these states could opt quickly for relations with Peking following US-PRC normalization.

Many nations, however, would make a distinction between better Sino-US relations, which they would welcome, and the ending of the official US relationship with Taiwan, which could sow further seeds of doubt about the reliability of the United States. This would be especially true in East Asia where all non-Communist states continue to see American credibility and presence as essential elements of stability in Southeast and Northeast Asia. The lapsing of a formal US security commitment to Taiwan would serve to reinforce the image of the US as a withdrawing power and would be viewed in some quarters as the latest development in a sequence of events including the withdrawal of US military presence from Indochina and Thailand and the announced US force reduction in Korea.

Despite such concerns, the official reaction to normalization would be generally positive. Most Asian states hope that normalization would provide Peking with further incentive to continue to build constructive and conventional state-to-state relations in the region rather than to revert to either a more subversive or chauvinistic approach. To this end, most East Asian capitals have already made their own rapprochement with Peking and virtually all appear to consider the breaking of official ties and commitments between the US and Taiwan as an inevitable part of the process of Sino-US normalization. They would assume that Sino-US normalization would in most respects amount to a change of form rather than substance in terms of both Taiwan's viability and Chinese policy in the region. Concern about Chinese power and intentions would persist, however, especially among the non-Communist states of Southeast Asia.

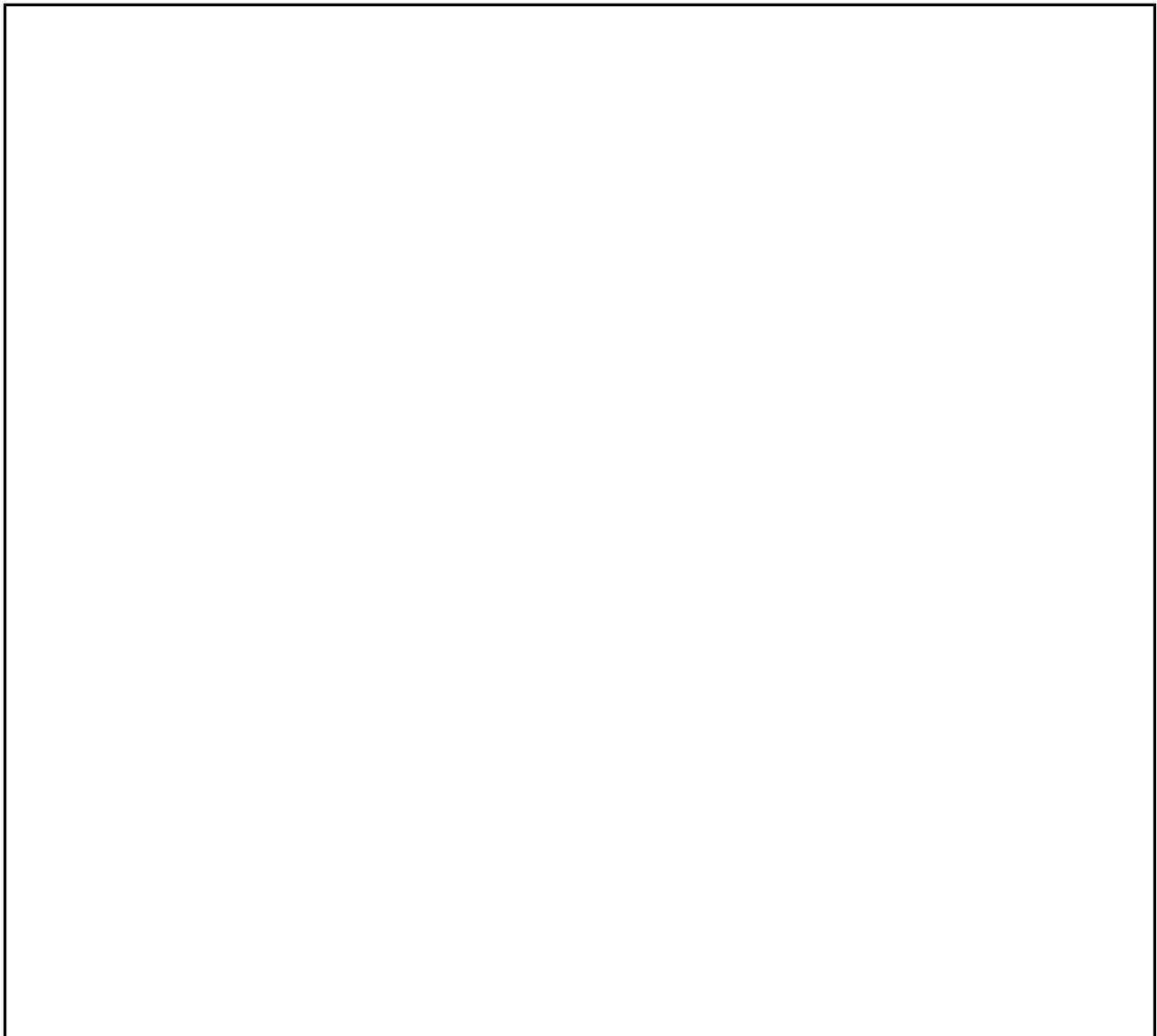
Despite the fact that normalization has been anticipated well in advance by nearly all governments, and would

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be quietly approved by most, the act itself would be greeted with considerable concern on the part of a few nations with strong and quite different interests at stake. Among these, of course, would be the Soviet Union, which would see such a US move as carrying important anti-Soviet implications. Seoul and Tel Aviv share with Taipei relatively exposed positions and heavy dependence on the United States. Although both countries might be more apprehensive about the US commitments to them, they nonetheless appear to recognize that their own situations differ in important ways from that of Taiwan and the state of their own relations with the US would be the decisive factor.

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## II. ASIAN REACTIONS



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